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Costigan, Edward Prentiss

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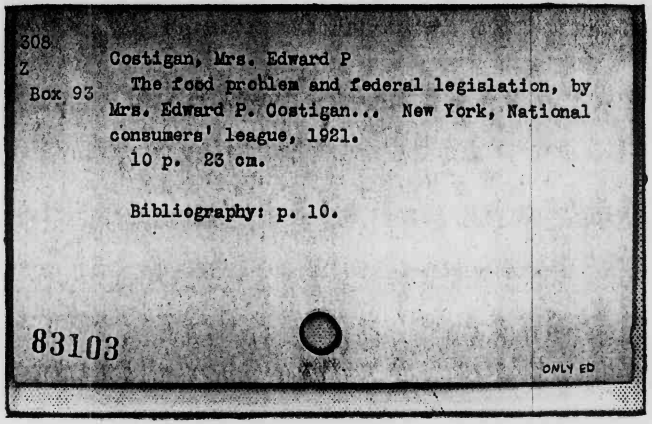

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The Food Problem and Federal Legislation

By
MRS. EDWARD P. COSTIGAN

ARE YOU A DEFENDER OF THE PUBLIC INTEREST?

If you want to prevent the permanent control of the nation's food supply by the Big Five—the great packing interests—write your Senator, your Representative, and the chairmen of the Senate and House Agriculture Committees that you favor effective federal regulation of the packing industry such as the (Senate) Gronna bill proposes. (See page 7). AND DO IT NOW. The Gronna bill is on the calendar for action in the Senate January 24, 1921.

NATIONAL CONSUMERS' LEAGUE
NEW YORK CITY

January, 1921

Additional copies of this pamphlet may be secured from the
NATIONAL CONSUMERS' LEAGUE

THE FOOD PROBLEM AND FEDERAL LEGISLATION

Undernourishment, Speculation, Monopoly and the High Cost of Living

In our country today, the National Children's Bureau tell us, from three million to six million children are underfed. One child in every five in the United States is not getting enough to eat. The situation has been desperate. We have seen swollen profits on the one hand and empty plates on the other. The query has been increasingly insistent,—why have prices continued so high? The answer has been coming back in no uncertain terms,—because, in addition to the consequences of world underproduction and inflated currency, speculators, monopolists, hoarders and profiteers are gambling with the food supply of the nation and the world.

Political economists frequently assure us that people are protected by the law of supply and demand; that with ample supplies public demand can either raise or lower prices at will by using or withholding its purchasing power. We are learning, however, that a new era is upon us. For the time being an economic absurdity rules the world. Reckless men are even killing the goose that lays the golden eggs. Monopoly is throttling competition, and dictating the price list. The consumer is being consumed.

Farmers also are in distress. Undoubtedly only a small portion of the price paid by the consumer accrues to the producer whose incessant toil is given inadequate reward because the way between the producer and consumer is artificially blocked. Decreased production is bound to be the inevitable result.

Federal Investigations and Reports

In 1917, the President of the United States instructed the Federal Trade Commission to

> "investigate and report facts relating to the production, ownership, manufacture, storage and distribution of foodstuffs;" and "to ascertain the facts bearing on alleged violations of the antitrust acts, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies or restraints of trade out of harmony with the law or the public interest."

An exhaustive and intensive investigation resulted, and the facts brought out were surprising in the extreme.

Food Control by the Five "Packers"

The report of the Commission states that five corporations—Armour & Co., Swift & Co., Morris & Co., Wilson & Co., and The Cudahy Packing Co., known as "the packers"—not only have a monopolistic control over the American meat industry, but have secured control similar in purpose if not yet in extent over the principal substitutes for meat, such as eggs, cheese, and vegetable oil products, and are rapidly extending their power to cover fish and nearly every kind of foodstuff. According to the Federal Trade Commission, the "Big Five," in addition to meat, "sold in 1916, through their branch houses alone, nearly 100,000,000 pounds of poultry, 90,000,000 pounds of butter, 75,000,000 pounds ofcheese, and over 135,000,000 dozen eggs." The packers are also important factors in breakfast foods, condensed milk, and canned fruits and vegetables. The canned goods business is now about $16,000,000 a year. Recently they have extended their operations to include various staple groceries and vegetables such as rice, potatoes, beans, and coffee. The Trade Commission reports: "Here again the immense selling organization of the packers built up in connection with their meat business assures them almost certain supremacy in any line of food handling which they may wish to enter. Armour's drive into the rice market in a single year is perhaps the most striking instance of the potentialities in this direction. Early in 1917 Armour & Co. first undertook the handling of rice, and in that one year sold

more than 16,000,000 pounds of rice, thus becoming at a single move, on the statement of the vice-president of the company, 'the greatest rice merchant in the world.'" During this period the wholesale price of rice increased 65 per cent. At the present rate it is estimated that the wholesale grocer business will disappear in five or six years. Incidentally, the Commission mentions monopolistic dominance in sales of leather and wool, necessary for the production of shoes and clothes, resulting in unprecedented profits to the packers. The big five handle more than three-fourths of the hides, and tan a large part of the leather in the United States. They deal in hundreds of commodities unrelated to the meat-packing industry.

The Commission states: "In 1917, the Big Five's combined sales of meats and all other commodities totaled $2,127,245,000; in 1918, they were over $3,000,000,000.". The report adds: "At the present rate of expansion, within a few years, the big packers would control the wholesale distribution of the nation's food supply."

Sources of Control

The Federal Trade Commission further charges that these conditions were originally made possible through combinations, rebates and special privileges of the packers. It is stated that they have resulted from the ownership of:

> "Stock yards, with their collateral institutions, such as terminal roads, cattle loan banks, and market papers."—The packers own a controlling interest in nearly every chief stockyard company in the United States.
>
> "Private refrigerator car lines for the transportation of all kinds of perishable foods."—Ninety-three per cent of meat refrigerator cars and 50 per cent of the other refrigerator cars are owned by the same group.
>
> "Cold storage plants for the preservation of perishable foods."
>
> "Branch-house system of wholesale distribution."—The packers operate over 1,000 branch houses and about 1,300 peddler car routes.
>
> "Banks and real estate."—The packers are interested in scores of the larger banks in fifteen cities from Boston to San Francisco.

The Federal Trade Commission's report recites that the result of this control has been forcing down the prices paid to producers at one end, and a rise in cost to consumers at the other. The

packers can manipulate markets and dispose of their products without regard to supply and demand.

We learn that in 1917, a war year of patriotism, sacrifice and suffering, though the sales of the packers had barely doubled, their profits were four times as great as in an average year prior to the war.

Conclusion Drawn by Federal Investigators

One conclusion reached by the Federal Trade Commission has been widely approved. It is generally agreed that the control by a few private individuals of the food supply of 100,000,000 people is a power altogether too great to be allowed to continue without governmental regulation and supervision.

Suggested Federal Legislation

Many interested and important organizations have joined in urging corrective legislation affecting the meat packing industry. Among them may be mentioned:

The American Live Stock Association, whose activities inaugurated the Federal Trade Commission's investigation; The National Grange; The Farmers' National Council; The National Board of Farm Organizations; The American Federation of Labor; The Wholesale Grocers' Association; The National Consumers' League; The Women's Trade Union League and The National League of Women Voters.

As a result of many conferences and much discussion, two bills were introduced in the Senate; the Kendrick Bill and the Kenyon Bill, the latter being also introduced in the House of Representatives by Representative Anderson. The Kenyon-Anderson Bill provided for a licensing system under the Department of Agriculture, designed to accomplish the following results:

"(1) To remove the stock yards from the control of packers.

"(2) To limit the packers' control over other industries producing unrelated food products.

"(3) To put refrigerator cars on the basis of common carriers and make them part and parcel of the carrying system of the country and subject to such rulings as are made from time to time to prevent unfair competition and combines under interstate commerce laws.

"(4) To establish throughout the country storage and marketing facilities that will permit competition with packers' branch houses."

This bill had the hearty support of the above-mentioned organizations.

What is Asked of Congress

The Kendrick and Kenyon Senate bills were considered by the Agriculture Committee, and a new measure, the Gronna Bill, was drafted and favorably reported out by the Agriculture Committee. It is now taking the place of the other two bills. Members of the National Consumers' League have been supporting the principles and purposes of these bills, which means that they have been endorsing government regulation, the separation of the packers from control of the stockyards, the making of refrigerator and other special equipment cars part of the common carrier transportation system of the country and the assuring of properly regulated live stock and other food markets, open alike to producers and consumers.

What You Can Do

Members of the NATIONAL CONSUMERS' LEAGUE and all other interested persons should write and have others write to their Senators and Members of the House of Representatives urging support of these bills. They should also write to Hon. Asle J. Gronna, Chairman of the Agriculture Committee of the Senate, and to Hon. Gilbert N. Haugen, Chairman of the Agriculture Committee of the House, expressing approval of the principles and purposes of the proposed legislation. Hundreds of letters are being received by members of the Agriculture Committee from the selfishly interested opponents of the bills. It is necessary that the public-

spirited supporters of this legislation should register their approval. Those at a distance frequently do not realize the influence of these expressions of opinion on the action of Senators and Representatives in Washington. Now is the critical time and a real service can be done by promptly urging legislation in the interest of the whole public.

The Attorney General's Arrangement With the Packers

In December, 1919, the United States Attorney General publicly announced an advance compromise of litigation then under consideration by the Department of Justice for combinations and practices in restraint of trade against the five large packing companies. Under this arrangement these companies consented that their business operations hereafter shall be regulated under a stipulated court decree.

Briefly, the Attorney General's plan involves punishing future transgressions of the law by the big packers under the usual proceedings incident to a federal court injunction. This compromise is of particular concern to the public because it is generally believed that the proposed court decree will settle nothing in a final way in the wide field in which monopoly threatens and middlemen add private profit to private profit in handling the nation's food supply; whereas, under proper laws, the Federal Government can definitely clear the road that lies between producers and consumers, so that consumers will have an opportunity to buy necessary food without any hampering restrictions of special privilege and without monopolistic interference. However, on that very account, the legal capitulation of the big packers to the Attorney-General serves the highly useful purpose of focusing public attention on our broader statutory needs.

The real question to be determined is: will conditions that will help feed under-nourished children and will supply the family table of the average citizen be more definitely advanced through governmental injunction, or through continuous governmental machinery, proceeding, under the mandate of our highest law-making body, along the lines of perpetual watchfulness? The answer appears unmistakable: the public safety requires definite, anti-monopolistic and anti-profiteering laws, faithfully administered.

Local Food Centers and Warehouses

Of great interest to the consumers is the provision in the Gronna bill for Federal authorization and encouragement of local efforts to establish food warehouses and retail distributing centers. This would assure small producers, municipal groups and co-operatives better opportunities to do business than now exist under the packers' control, and would materially aid in the elimination of unnecessary middlemen.

Co-operative Societies

The problems of middlemen and markets lead logically to the consideration of direct buying and selling and the development of co-operative societies, along the lines of those which have achieved remarkable success in England and have constituted the one stabilizing factor in revolutionary Russia. The only children in Europe who received good, pure milk during the war were English and Swiss, supplied through the agency of co-operative stores. English co-operatives now handle such far-flung possessions as their own wheat fields in Canada and tea plantations in the Orient. They manage their own dairies and utilize their own cows. After the channels of trade are made free, the establishment of co-operative associations and stores is obviously the next step. It has been justly remarked that the astonishing difference between prices received by producers and prices paid by consumers is a scandal in our industrial system, and it is noteworthy that both the reconstruction programs of the General Committee of the Inter-Church World Movement of North America, representing 56 denominations of the Protestant churches, and of the National Catholic War Council, urge the establishment of co-operative societies. Though co-operation has been slower to come in this country, there are in the United States today not less than 3,100 co-operative stores. Of these 2,500 have been established in the last four years. Moreover, thirty-three states of the Union already have laws facilitating the establishment of co-operative associations.

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